

# Reports and Testimony: July 1996

## Highlights

### Resolution Trust Corporation

*With the Resolution Trust Corporation's mission to close hundreds of insolvent thrift institutions now virtually complete, GAO includes in its annual audit of the RTC a discussion of the historical perspective and financial implications of the savings and loan crisis. Page 9.*

DISTRIBUTION STATEMENT A

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### Operation Desert Storm

*In an extensive survey of airpower used in Operation Desert Storm, GAO found that tactical and strategic objectives were best met with a mix of weapons with a range of capabilities. GAO also found that success claims for "smart weapons" were often overstated and misleading and that infrared, electro-optical, and laser systems were often degraded by rain, smoke, and fog. Page 27.*

### Pennies

*Should the United States continue to manufacture pennies? It costs less than one cent to mint a new penny, but the government loses money after distribution costs are taken into account. Other factors for Congress to consider in deciding the penny's future include the costs of withdrawing the penny from circulation and job losses for contractors who supply penny blanks. Page 15.*

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# Reports and Testimony:

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### Agriculture and Food

#### **School Lunch Program: Cafeteria Managers' Views on Food Wasted by Students**

GAO/RCED-96-191, July 18 (44 pages).

Under the National School Lunch Program, about 26 million students nationwide were served lunches daily during fiscal year 1995. Federal costs for the program totaled more than \$5 billion that year—about \$4.5 billion in cash reimbursements and more than \$600 million in commodity foods, such as beef patties, flour, and canned vegetables. Although most cafeteria managers GAO surveyed reported that plate waste in the public schools was not a concern, about one-quarter of the managers characterized plate waste as at least a “moderate problem”—particularly at the elementary school level. Cafeteria managers strongly agreed on some of the reasons for and ways to reduce plate waste. For example, 78 percent cited students’ attention on recess, free time, or socializing rather than eating as a reason for waste. Almost 80 percent believed that allowing students to select only what they want to eat would reduce plate waste. Most cafeteria managers were satisfied with the federal commodities they received for use in the school lunch program.

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### Budget and Spending

#### **Budget Issues: Inventory of Accounts With Spending Authority and Permanent Appropriations, 1996**

GAO/AIMD-96-79, May 31 (173 pages).

This report updates GAO’s 1987 inventory of accounts with spending authority and permanent appropriations, commonly known as “backdoor authority.” GAO provides information on such accounts and analyzes the changes in the number and dollar amounts of accounts with backdoor authority. It also provides information on each reported account’s status under the Balanced Budget and Emergency Deficit Control Act—that is, whether it is subject to or exempt from sequestration or subject to any special rules or limitations.

#### **Compendium of Budget Accounts: Fiscal Year 1997**

GAO/AIMD-96-113, July 1996 (149 pages).

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Each year, the President submits a budget to Congress. The President's budget is not a single object or device but an analysis and compilation of separate presentations of hundreds of budget accounts, covering all fiscal activities of the federal government, including "off-budget" accounts, such as the Social Security trust funds and the Postal Service fund. The budget comprises a wealth of information in a daunting array of schedules, tables, graphs, and narrative summaries. The comprehensiveness of the President's budget is its principal strength, but its sheer size and complexity can be overwhelming for many readers. For example, the President's fiscal year 1997 budget spanned six volumes and contained more than 2,100 pages. GAO developed this compendium of accounts to give readers a convenient way to sort through the fiscal structure of the federal government and to determine the level of budgetary resources—used, estimated, or requested by fiscal year—for individual accounts.

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## Testimony

Budget Process: Evolution and Challenges, by Susan J. Irving, Associate Director for Budget Issues, before the House Committee on the Budget. GAO/T-AIMD-96-129, July 11 (23 pages).

Everyone involved in the budget process shares some frustration with it. The public finds the process confusing. Executive branch agencies complain that it is burdensome and time-consuming. Members of Congress say that it is too lengthy, with its many votes on authorizations, the budget resolution, reconciliation, appropriations, and the debt limit. And, too often, the results are not what was expected or hoped for. This testimony discusses how the budget process evolved into what it is today and the challenges Congress faces in the near term. GAO also discusses some broad objectives and policy criteria that could be used to analyze the design of or changes to any budget process.

Budget Process: Issues in Biennial Budget Proposals, by Susan J. Irving, Associate Director for Budget Issues, before the Subcommittee on Financial Management and Accountability, Senate Committee on Governmental Affairs. GAO/T-AIMD-96-136, July 24 (11 pages).

GAO believes that multiyear fiscal policy agreements and multiyear authorizations make a great deal of sense, but they do not require changing the appropriations decision cycle from annual to biennial. Although biennial appropriations could save time for agencies, they would also result in a shift in congressional control and oversight. Proposals to

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change the process should be viewed partly in the context of their effect on the relative balance of power in this debate. Budgeting always involves forecasting, which is by nature uncertain. The longer the period of the forecast, the greater the uncertainty. Increased difficulty in forecasting was one of the main reasons states gave for changing from biennial to annual cycles. Dramatic changes in program design or agency structure, such as those Congress is considering in many areas, will make budget forecasting harder. Moving from an annual to a biennial appropriations cycle at the same time may not be wise because of potential program changes that could, in turn, create a need for budgeting changes in the second year of a biennium. If this happens, biennial budgeting would exist only in theory. Biennial appropriations would be neither the end of congressional control nor the solution to many budget problems. The questions for Congress are (1) how does it wish to exercise its constitutional authority over appropriations? and (2) in what forum will it conduct its oversight responsibilities?

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## Education

### **Department of Education: Status of Actions to Improve the Management of Student Financial Aid**

GAO/HEHS-96-143, July 12 (108 pages).

Each year, the Department of Education provides students with billions of dollars in loans and grants for postsecondary education. Concerns have been raised over the years about fraud and abuse in these student aid programs, especially the Federal Family Education Loan Program and the Pell Grant Program. Concerns have also been expressed about the inadequacy of the Department's procedures for gatekeeping—determining which schools can participate in these programs—and program review. In total, a Senate committee, the Department's Office of Inspector General, and GAO have made more than 200 recommendations to the Department. This report discusses (1) the Department's response to these recommendations and whether the Department's actions address the recommendations and (2) the reasons the Department gave for not acting on some recommendations.

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## Employment

### **Job Corps: Where Participants are Recruited, Trained, and Placed in Jobs**

GAO/HEHS-96-140, July 17 (52 pages).

The Job Corps, a national employment training program run by the Labor Department, serves about 66,000 participants at 112 centers in 46 states, the District of Columbia, and Puerto Rico. GAO found that the Job Corps has the capacity to serve 81 percent of program participants in their home states—52,000 of 64,000 participants from states with Job Corps centers could have been assigned to a center in their state of residence. About 59 percent of participants were assigned to centers in their home state; the remaining participants were sent to centers outside their home state and traveled an average of more than four times as far as they would have had they been assigned to the closest center in their state of residence. Regardless of where they were trained, however, about 83 percent of those participants who got jobs were employed in their home state.

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## Energy

### **Energy Research: Opportunities Exist to Recover Federal Investment in Technology Development Projects**

GAO/RCED-96-141, June 26 (32 pages).

The Energy Department (DOE) participates with the private sector in many cost-shared technology development programs. A major objective of these programs is to promote the development and commercialization of more-efficient, environmentally attractive, and affordable technologies that will better utilize the nation's energy resources and enhance opportunities for domestic economic growth and employment. This report (1) determines the extent to which DOE requires repayment of its investment in cost-shared technology development, including the similarities and differences in the mechanisms used, and (2) weighs the advantages and the disadvantages of repayment. GAO focuses on four DOE offices—Fossil Energy, Energy Efficiency and Renewable Energy, Environmental Management, and Nuclear Energy—because they fund most of DOE's cost-shared technology development programs and projects involving contracts and cooperative agreements.

**Motor Fuels:  
Issues Related to Reformulated Gasoline, Oxygenated Fuels,  
and Biofuels**

GAO/RCED-96-121, June 27 (64 pages).

GAO was asked to summarize the results of studies on the cost effectiveness of using reformulated gasoline (a process in which oxygenates or ethanol is added to gasoline to enhance combustion and reduce automotive emissions); the results of studies estimating the potential for oxygenates to reduce petroleum use; and ongoing federal research into biofuels. Studies by the Environmental Protection Agency (EPA), the American Petroleum Institute, and others suggest that reformulated gasoline may be cost effective compared to some automotive emission control measures but less cost effective than others. The methodologies used and the results showing the cost effectiveness of the control measures for these studies vary significantly, making comparisons very difficult. About 305,000 barrels per day of the petroleum used to produce gasoline will be potentially displaced by oxygenates in the year 2000 and about 311,000 barrels per day in 2010 according to projections of oxygenate use. The Department of Agriculture (USDA) is focusing research primarily on reducing the cost of growing and converting agricultural feedstocks, such as corn, into ethanol. Data from USDA and the Department of Energy indicate that research has lowered the cost to produce ethanol from both cellulosic biomass and from corn. Although demand for corn for other purposes may limit cost reductions in producing ethanol from corn, the demand for ethanol made from cellulosic biomass for use as an oxygenate and as an alternative fuel could rise significantly.

**Energy Management:  
Technology Development Program Taking Action to  
Address Problems**

GAO/RCED-96-184, July 9 (14 pages).

To help clean up and restore its contaminated sites in compliance with federal and state environmental laws, the Energy Department (DOE) established the Office of Environmental Management. Since 1989, the Office has spent \$34 billion on cleanups, but schedules have slipped and progress has been slow. The Office projected in 1995 that the cleanups could take another 75 years to complete at an additional cost of up to \$350 billion. According to Office estimates, innovative cleanup

technologies could reduce total cleanup costs by as much as \$80 billion. The Office began a major reorganization last year to improve the coordination and management of the technology development program by creating five "focus areas." Yet concerns persist that management weaknesses are undermining progress in environmental cleanup. This report discusses whether the Office is managing its technology development program to prevent (1) unnecessary duplication and overlap and (2) an unwarranted concentration of projects at some field offices.

**Nuclear Waste:  
Uncertainties About Opening Waste Isolation Pilot Plant**

GAO/RCED-96-146, July 16 (64 pages).

The Energy Department (DOE) hopes to begin disposal of nuclear waste in New Mexico in 1998 but first must obtain a certificate of compliance with regulations for disposal of radioactive waste from the Environmental Protection Agency. Because of unresolved issues involving this certificate, GAO believes that the prospects for opening the waste isolation pilot plant by the target date are uncertain. Looking farther into the future, DOE estimates that it will cost about \$11 billion over several decades to develop and operate the facilities and equipment needed to prepare transuranic waste for shipment to and disposal in the plant. DOE also plans to spend nearly \$8 billion on waste transportation and disposal operations at the plant over a 35-year period. How soon these facilities will be up and running will depend in great measure on DOE's ability to obtain funding in a period of budgetary constraints. Delays in developing these facilities could force DOE to extend the period for shipping the waste to the plant and store the waste in the repository beyond 35 years. Each additional year it takes to place waste at the plant could cost about \$130 million.

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**Testimony**

Federal Power: Outages Reduce the Reliability of Hydroelectric Power Plants in the Southeast, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Water and Power Resources, House Committee on Resources. GAO/T-RCED-96-180, July 25 (28 pages).

Over a large part of the country, hydroelectric plants run by the U.S. Army Corps of Engineers and the Interior Department's Bureau of Reclamation generate electricity that is sold by the Energy Department's five power marketing administrations. This testimony discusses the extent to which



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(1) these power plants are experiencing outages and (2) the current planning and budgeting processes allow the Corps to perform timely and effective repairs and rehabilitations of these plants. GAO focuses on 11 of the Corps' 23 hydroelectric power plants that generate power marketed by the Southeastern Power Administration.

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## Environmental Protection

### **Federal Facilities: Consistent Relative Risk Evaluations Needed for Prioritizing Cleanups**

GAO/RCED-96-150, June 7 (31 pages).

Both the Environmental Protection Agency (EPA) and federal agencies that own or operate seriously contaminated facilities help assign priorities for cleanup under regulations of the Superfund program. GAO found that the Superfund program does not fully and consistently identify the most contaminated federal facilities as the highest priorities for cleanups. Some federal agencies have not finished identifying the universe of contaminated facilities and preliminarily assessing the extent of their contamination. In addition, EPA regions have not completed their evaluations of the facilities that the agencies have reported to them, and EPA headquarters has not developed guidance to ensure that the regions consistently evaluate the most severely contaminated facilities first. Even after a region has evaluated a facility and determined that it warrants inclusion on the National Priorities List—EPA's list of the nation's highest priorities for further study and possible cleanup—that facility may be omitted if a state does not agree to the listing or the facility is being cleaned up under another legal authority.

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## Financial Institutions

### Testimony

**Federal Reserve System: Current and Future Challenges Require Systemwide Attention**, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-96-159, July 26 (six pages).

This testimony discusses GAO's recent report (GAO/GGD-96-128) on the Federal Reserve System, the most comprehensive review that GAO had ever

undertaken of the Fed's operations. Fed operating expenses rose 48 percent from 1988 to 1994—double the rate of inflation. About 70 percent of the Fed's operating expenses were for financial services to banks and government agencies, such as check clearing and transfers—services that have no connection with the central bank's monetary policy. Monetary and economic policy activities and the Board of Governors staff accounted for only about 2,300 employees—less than 10 percent of the Fed's total workforce. The Fed's main workload today is neither policymaking nor bank supervision but rather financial services, which include currency processing, massive check-clearing operations, and funds transfer systems. And it is precisely these businesses in which the Fed is facing growing competition from the private sector. In fact, the Fed's market share in the check-clearing business has declined while its expenses have continued to rise.

Housing Enterprises: Assessment of OFHEO's Interest Rate Analysis, by James L. Bothwell, Director of Financial Institutions and Markets Issues, before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises, House Committee on Banking and Financial Services. GAO/T-GGD-96-173, July 31 (six pages).

In July 1996, a congressional committee asked the Office of Federal Housing Enterprise Oversight (OFHEO) to analyze the potential effects of a large and rapid increase in interest rates, accompanied by otherwise unfavorable economic conditions, on the financial health of Fannie Mae and Freddie Mac. This testimony reviews OFHEO's analysis and assesses the reasonableness of the approach and the key assumptions that OFHEO used in its analysis.

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## Financial Management

### **Financial Audit: Resolution Trust Corporations' 1995 and 1994 Financial Statements**

GAO/AIMD-96-123, July 2 (48 pages).

GAO audited the Resolution Trust Corporation's (RTC) financial statements for 1995 and 1994 and the related statements of revenues, expenses, accumulated deficit, and cash flows for those years. GAO found that RTC's financial statements were reliable in all material respects. Although internal controls could be improved, RTC management fairly stated that its internal controls effectively safeguarded assets from material loss,

ensured material compliance with laws and regulations, and ensured that no material misstatements appeared in the financial statements. GAO found no reportable noncompliance with laws and regulations. Because RTC's mission of resolving hundreds of insolvent thrifts is coming to an end, GAO also presents a historical perspective of the savings and loan crisis, including its financial implications.

**Financial Audit:  
Capitol Preservation Fund for Years Ended September 30, 1995  
and 1994**

GAO/AIMD-96-97, July 5 (13 pages).

The Capitol Preservation Commission was established in 1988 to help preserve and make improvements to the United States Capitol. Operations of the Commission are paid for out of the Capitol Preservation Fund, which is sustained through charitable contributions and the sale of commemorative coins. GAO audited the Fund's financial statements for the fiscal years ending September 30, 1995 and 1994 and found that they were reliable in all material respects. In addition, there was no material weakness in the Fund's internal control structure and its operations for those years, and the Fund complied with laws and regulations.

**CFO Act Financial Audits:  
Navy Plant Property Accounting and Reporting Is Unreliable**

GAO/AIMD-96-65, July 8 (26 pages).

In March 1996, GAO reported that the Navy's fiscal year 1994 consolidated financial reports on general fund operations—which included \$78 billion for the Navy's plant property—were substantially inaccurate because of at least \$225 billion in errors, including upwards of \$25.6 billion in errors involving the Navy's plant property account balances. (See GAO/AIMD-96-7.) GAO made more than a dozen recommendations to avoid the mistakes made in preparing the Navy's fiscal years 1994 consolidated financial reports on general fund operations. This report describes in greater detail the factors contributing to inaccurate reporting of the Navy's plant property account balance. The report also recommends additional measures to ensure that the Navy has reliable information with which to effectively manage and control the billions of dollars the government has invested in Navy plant property.

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**Financial Audit:  
Examination of IRS' Fiscal Year 1995 Financial Statements**

GAO/AIMD-96-101, July 11 (70 pages).

As in earlier years, GAO found it impossible to provide an affirmative opinion on IRS' principal financial statements for 1995, internal controls, and IRS' compliance with laws and regulations. The following financial management problems prevented GAO from rendering an opinion: (1) The amounts of total revenue (\$1.4 trillion) and tax refunds (\$122 billion) cannot be verified or reconciled to accounting records maintained for individual taxpayers in the aggregate. (2) The amounts reported for taxes collected (social security, income, and excise taxes, for example) cannot be substantiated. (3) The reliability of reported estimates of \$113 billion for valid accounts receivable and \$46 billion for collectible accounts receivable cannot be determined. (4) A significant portion of the agency's reported \$3 billion in nonpayroll operating expenses cannot be verified. (5) The amounts IRS reported as appropriations available for expenditure for operations cannot be reconciled fully with Treasury's central accounting records showing these amounts, and hundreds of millions of dollars in differences have been found.

**Financial Audit:  
Federal Deposit Insurance Corporation's 1995 and 1994  
Financial Statements**

GAO/AIMD-96-89, July 15 (79 pages).

GAO audited the 1995 and 1994 financial statements for three funds administered by the Federal Deposit Insurance Corporation (FDIC): the Bank Insurance Fund, the Savings Association Insurance Fund, and the Federal Savings and Loan Insurance Corporation Resolution Fund. GAO found that the financial statements of each fund, taken as a whole, were reliable in all material respects. Although some internal controls should be improved, FDIC management fairly stated that its internal controls effectively safeguarded assets from material loss, ensured compliance with laws and regulations, and ensured that there were no material misstatements in the financial statements of the three funds. There was no reportable noncompliance with laws and regulations. FDIC has addressed several internal control weaknesses GAO identified in its 1994 audits. However, FDIC has not fully addressed GAO's concerns regarding weaknesses in documentation maintained to support asset recovery

estimates. GAO's 1995 audits found continued weaknesses in (1) controls over FDIC's process for estimating recoveries from failed institution assets, (2) FDIC's time and attendance reporting process, and (3) FDIC's electronic data processing controls. This report also discusses the recent development of a significant premium rate differential between insured institutions of the Bank Insurance Fund and the Savings Association Insurance Fund as a result of the Bank Insurance Fund attaining its designated capitalization level. GAO discusses the impact this premium rate differential may have on the thrift industry's ability to finance obligations arising from the thrift crisis of the 1980s and on future deposit insurance premium rates.

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## **Government Operations**

### **U.S. Postal Service: Stronger Mail Acceptance Controls Could Help Prevent Revenue Losses**

GAO/GGD-96-126, June 25 (35 pages).

The Postal Service derived almost half (\$23 billion) of its total mail revenue from bulk business mail in fiscal year 1994. Mailers compute the postage owed on each bulk business mailing. To guard against accepting improperly prepared mailings, Postal Service clerks are supposed to verify the accuracy of bulk business mailings. Because of weak controls for accepting bulk business mail, however, the Postal Service cannot be sure that significant amounts of postal revenue due are received when mailers claim presort/barcode discounts. The Postal Service took steps in 1989 and 1990 to manage its bulk mail acceptance system more effectively. However, the system deteriorated after a 1992 reorganization. With an estimated \$8 billion in discounts allowed in fiscal year 1994, and larger amounts expected as the Postal Service reclassifies its postage rates and moves closer to full automation in 1997, sustained top-level management attention is needed to establish and maintain adequate controls over bulk business mail acceptance. Recently, the Postal Service launched several initiatives to improve the bulk business mail acceptance system. Although it is too soon to know whether these initiatives will correct the Postal Service's internal control problems, GAO believes that if they are implemented as planned and monitored appropriately, the initiatives can improve bulk mail acceptance operations.

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**Federal Statistics:**  
**Principal Statistical Agencies' Missions and Funding**

GAO/GGD-96-107, July 1 (16 pages).

Many federal agencies collect and disseminate statistical information. Of the federal agencies that spend at least \$500,000 per year on statistical activities, 11 collect, analyze, and produce statistics as their primary mission. This report identifies (1) the missions of the principal federal statistical agencies and (2) these agencies' funding and sources of funding for fiscal years 1994 and 1995.

**Statistical Agencies:**  
**Statutory Requirements Affecting Government Policies and Programs**

GAO/GGD-96-106, July 17 (40 pages).

GAO was asked to provide a list of legislatively mandated reports that statistical agencies are to produce for Congress on a regular basis and the statutory authority for the reports. The information was requested to assist congressional consideration of proposals to consolidate statistical agencies. This report provides a listing of authorizing statutes establishing the agencies and confidentiality or disclosure provisions for the 11 principal statistical agencies, a listing of these agencies' mandated reporting requirements to Congress, and a listing of the uses of the agencies' statistical products in the administration of federal programs.

**Fire-Safe Accommodations:**  
**Information on Federal Agencies' Compliance With P.L. 101-391 Lodging Requirements**

GAO/GGD-96-135, July 29 (11 pages).

Because more than 400 Americans had lost their lives in multistory hotel fires during the preceding five years, in 1990 Congress passed the Hotel and Motel Fire Safety Act (P.L. 101-391), which seeks to save lives and protect property by promoting fire safety in hotels and motels. The legislation requires the Federal Emergency Management Agency to compile a national master list of public accommodations that meet fire safety guidelines. Beginning in fiscal year 1995, federal agencies must ensure that their civilian employees on official travel spend a certain

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percentage of nights in these "approved" accommodations. Seventy-six of 96 federal agencies responded to GAO's request for information on their compliance with that requirement. Fifty-six agencies reported meeting or exceeding the 65-percent requirement. Six agencies reported that they did not meet that threshold. Fourteen agencies reported that, for various reasons, they did not gather the data needed to determine and report their approved accommodations percentage for fiscal year 1995. Twenty agencies did not respond to GAO's request for information.

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## Testimony

District Government: Information on Its Fiscal Condition and the Authority's First Year of Operations, by Gregory M. Holloway, Director of Governmentwide Audits, before the Subcommittee on the District of Columbia, House Committee on Appropriations. GAO/T-AIMD-96-126, July 9 (60 pages).

This testimony focuses on the District of Columbia's financial condition and the efforts of the D.C. Financial Responsibility and Management Assistance Authority to resolve the financial and management problems confronting the District. GAO discusses (1) financial and budget trends in the District's revenue flows and expense patterns, comparing and contrasting the District's historical experience through fiscal year 1995 with its enacted and proposed budgets for fiscal years 1996 and 1997; (2) the District's current cash position; and (3) the experiences of the New York City and the Philadelphia control boards and the Authority. GAO also provides background information and its preliminary thoughts on the District's financial management system.

Governmentwide Travel Management: Views on the Proposed Travel Reform and Savings Act, by Jack L. Brock, Jr., Director of Information Resources Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight. GAO/T-AIMD-96-127, July 9 (six pages).

Travel is one of the many government functions that, through the adoption of best private sector practices and aggressive streamlining, can yield substantial savings to taxpayers. The proposed Travel Reform and Savings Act takes a major step toward adopting the best practices of other organizations. Not only will the legislation improve service to government travelers, it will also help reduce travel costs. This testimony highlights the legislation's key provisions, summarizes earlier GAO work and discusses

how it relates to the legislation, and provides GAO's views on the legislation and raises concern about a provision found in the Senate version.

Managing for Results: Key Steps and Challenges in Implementing GPRA in Science Agencies, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the House Committee on Science. GAO/T-GGD/RCED-96-214, July 10 (15 pages).

The landmark Government Performance and Results Act (GPRA) requires federal agencies to set goals and measure performance. GAO work has shown that the effectiveness of the Energy Department, NASA, and a host of other agencies has been hampered by unfocused missions and unclear goals. If successfully implemented in the civilian science agencies, GPRA should help Congress make the hard science policy and program choices. GPRA will also help agencies better manage their programs and provide the public with greater assurance that tax dollars are being spent wisely. But the changes in management and accountability envisioned under GPRA are not coming quickly or easily, particularly in the science agencies. Successful implementation of GPRA in those agencies may well depend on continued congressional support and interest.

Future of the Penny: Options for Congressional Consideration, by J. William Gadsby, Director of Government Business Operations Issues, before the Subcommittee on Domestic and International Monetary Policy, House Committee on Banking and Financial Services. GAO/T-GGD-96-153, July 16 (25 pages).

In reviewing whether the United States should continue to produce the penny, GAO found that several factors, including government costs, public attitudes, budgetary and operational consequences for the Mint and its contractors, and the fairness of rounding prices to the nearest 5-cent increment, warrant congressional consideration. Among key findings, GAO found that although it costs less than a penny to mint a penny, the government in 1994 lost between \$8 million and \$9 million after costs involved in distributing pennies were taken into account. Public opinion on the penny is mixed: a GAO poll found that most Americans prefer rounding to using pennies, but a similar number believe that the penny is useful and should be retained.

Civil Service Reform: Redress System Implications of the Omnibus Civil Service Reform Act of 1996, by Timothy P. Bowling, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on



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Civil Service, House Committee on Government Reform and Oversight.  
GAO/T-GGD-96-160, July 16 (12 pages).

In commenting on an outline of proposed legislation to reform the redress system for federal employees, GAO noted that the current system—which is designed to protect federal workers against arbitrary agency actions and such prohibited personnel practices as discrimination or retaliation for whistleblowing—has become increasingly complex, with overlapping jurisdiction among four adjudicatory agencies. The current system provides substantially greater employment protection to federal workers than those accorded to private sector employees, and federal employees file workplace discrimination complaints at six times the per capita rate of private sector workers. The pending legislation would eliminate the current ability of federal employees to have two agencies review an appeal rather than one; would bring discrimination complaint processes more in line with the private sector model; and would encourage federal workers to use alternative dispute resolution as a way to avoid the time and expense of employee litigation.

General Services Administration: Observations on GSA's Implementation of the Federal Operations Review Model, by J. William Gadsby, Director of Government Business Operations Issues, before the Subcommittee on Public Buildings and Economic Development, House Committee on Transportation and Infrastructure. GAO/T-GGD-96-151, July 18 (6 pages).

GAO was asked to monitor the General Services Administration's (GSA) implementation of the Federal Operations Review Model (FORM), which GSA developed to help identify the most cost-effective methods of carrying out each of its 16 major mission-support functions or business lines. GAO found no reason to question the view of the GSA Office of Inspector General (IG) that, although GSA's implementation of the preliminary phase generally followed the prescribed FORM process, it contained several weaknesses involving the consistent application of assumptions, the sufficiency of—and in some cases the absence of—relevant data, the appropriateness of cost estimates, and financial calculation errors. Similarly, the IG's observation that the data in initial FORM analysis reports should not be relied upon as the primary basis for making final decisions about privatizing or outsourcing specific business lines seems reasonable—particularly because phase one was to be followed by a more in-depth second analysis.

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**District of Columbia: Information on Its Fiscal Condition**, by Gregory M. Holloway, Director for Governmentwide Audits, before the Subcommittee on the District of Columbia, House Committee on Government Reform and Oversight. GAO/T-AIMD-96-133, July 19 (33 pages).

This testimony discusses the results of GAO's review of the financial condition of the District of Columbia. It compares and contrasts the District's historical experience through fiscal year 1995 with its enacted and proposed budgets for fiscal years 1996 and 1997. Also discussed is the District's current cash position. GAO focused specifically on the District's cash position at the end of fiscal year 1995, as adjusted through March 31, 1996. GAO also reviewed what actions New York City (beginning in June 1975) and Philadelphia (beginning in June 1991) and their respective control boards took to respond to their cash shortages.

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## Health

### **Practice Guidelines: Managed Care Plans Customize Guidelines to Meet Local Interests**

GAO/HEHS-96-95, May 30 (16 pages).

Inappropriate use of medical services can be costly and raise quality of care concerns. For example, a 1988 study found that 14 percent of bypass surgeries were performed inappropriately. To narrow the gap between current and optimal practice, some federal agencies and other groups develop clinical practice guidelines on the best practices for effective and appropriate care. Managed care plans, which employ various techniques intended to reduce inappropriate care, are likely sites of guideline use. This report discusses (1) the purposes clinical practice guidelines serve and (2) how health plans make use of already published guidelines developed by federal agencies and other groups.

### **NIH Extramural Research: Internal Controls Are Key to Safeguarding Phase III Trials Against Misconduct**

GAO/HEHS-96-117, July 11 (22 pages).

In fiscal year 1995, the National Institutes of Health (NIH) sponsored about \$9 billion in extramural research—research done by groups outside of NIH. About \$1.2 billion was spent on Phase III clinical trials, which usually involve hundreds of human participants to evaluate experimental

treatments. In the early 1990s, disclosure that falsified data had been used in a large Phase III trial looking at alternative treatments for breast cancer raised concern that the results of this multimillion dollar trial had been compromised. This report discusses NIH's oversight responsibilities and internal controls used to prevent and detect misconduct in Phase III clinical trial research. GAO also reviews NIH's approach to monitoring performance of its institutes that sponsor clinical trials and efforts to implement agencywide policy on misconduct in research.

**Medicaid:  
Waiver Program for Developmentally Disabled Is Promising But  
Poses Some Risks**

GAO/HEHS-96-120, July 22 (48 pages).

More than 300,000 adults with developmental disabilities—typically mental retardation—receive long-term care paid for by Medicaid or, to a lesser extent, state and local programs. Such long-term care often involves supervision and assistance with everyday activities, such as dressing or managing money. Persons with developmental disabilities receive more than \$13 billion annually in public funding for long-term care, second only to the elderly. Recently, states have begun to significantly expand the use of the Medicaid waiver program, which seeks to provide alternatives to institutional care for persons with developmental disabilities. The waiver program has two advantages. First, it helps states to control costs by allowing them to limit the number of recipients being served. In contrast, states must serve all eligible persons in the regular Medicaid program. Second, it permits states to meet the needs of many persons with developmental disabilities by offering them a broader range of services in less restrictive settings, such as group or family homes, rather than in an institutional setting. This report examines (1) expanded state use of the waiver program, (2) the growth in long-term care costs for individuals with developmental disabilities, (3) how costs are controlled, and (4) strengths and limitations in states' approaches to ensuring quality in community settings.

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**Medicaid Managed Care:  
Serving the Disabled Challenges State Programs**

GAO/HEHS-96-136, July 31 (66 pages).

With its emphasis on primary care, restricted access to specialists, and control of services, managed care is seen as a way to control spiraling Medicaid costs, which totaled \$159 billion in fiscal year 1995. So far, states have extended prepaid care largely to low-income families—about 30 million persons—but to few of the additional six million Medicaid beneficiaries who are mentally or physically disabled. Managed care's emphasis on primary care and control of services is seemingly at odds with the care requirements of disabled beneficiaries, many of whom need extensive services and access to highly specialized providers. However, because more than one-third of all Medicaid payments go for the care of the disabled, policymakers have been exploring the possibility of enrolling disabled persons in managed care plans. These efforts affect three key groups: disabled beneficiaries, who include a small number of very vulnerable persons who may be less able to effectively advocate on their own behalf for access to needed services; prepaid care plans, which are concerned about the degree of financial risk in treating persons with extensive medical needs; and the state and federal governments, which run Medicaid. This report examines (1) the extent to which states are implementing Medicaid prepaid managed care programs for disabled beneficiaries and (2) the steps that have been taken to safeguard the interests of all three groups. GAO's review of safeguards focuses on two areas: efforts to ensure quality of care and strategies for setting rates and sharing financial risk.

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## Housing

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### Testimony

Public Housing: HUD's Takeover of the Housing Authority of New Orleans, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing Opportunity and Community Development, House Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-96-212, July 8 (10 pages).

This testimony discusses the operational problems at the Housing Authority of New Orleans, some of the causes of those problems, and the Department of Housing and Urban Development's (HUD) attempts over the years to correct them. This testimony summarizes GAO's May 1996 report (GAO/RCED-96-67) that described the events leading to HUD's takeover of the Housing Authority of New Orleans.

Multifamily Housing: Issues Facing the Congress in Assessing HUD's Portfolio Reengineering Proposal, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. GAO/T-RCED-96-231, July 26 (24 pages); and

Multifamily Housing: HUD's Portfolio Reengineering Proposal—Cost and Management Issues, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-RCED-96-232, July 30 (33 pages).

Congress is considering proposals to reengineer about 8,600 properties from the Department of Housing and Urban Development's (HUD) multifamily rental housing portfolio. These 8,600 properties—known as the insured Section 8 portfolio—receive mortgage insurance through HUD and Section 8 rental subsidies that are tied directly to the properties. Last year, HUD proposed a process called “mark-to-market” that was aimed at addressing such problems as high Section 8 assistance costs and the poor physical condition of many properties. In early 1996, HUD modified that process in response to stakeholders' concerns and renamed it “portfolio reengineering.” This testimony discusses (1) the problems afflicting the portfolio, (2) HUD's plans for overcoming these problems, (3) a HUD-contracted study by Ernst & Young LLP that estimates how the properties are likely to be affected by HUD's reengineering proposal,

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(4) GAO's preliminary assessment of Ernst & Young's study, and (5) issues that Congress should consider in deciding how to respond to HUD's proposal.

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## Income Security

### **SSA Disability: Return-to-Work Strategies From Other Systems May Improve Federal Programs**

GAO/HEHS-96-133, July 11 (88 pages).

Between 1985 and 1994, the number of working-age people in the Social Security Administration's (SSA) disability insurance and supplemental security income programs rose 59 percent, from 4 million to 6.3 million. Concern about such growth has been compounded by the fact that less than half of one percent of disability insurance beneficiaries ever leave the disability rolls and return to work. A recent GAO report (GAO/HEHS-96-62) urged SSA to place more emphasis on return-to-work efforts. If an additional one percent of the 6.3 million beneficiaries were to leave SSA's disability rolls and return to work, lifetime cash benefits would be reduced by nearly \$3 billion. The magnitude of disability costs in the workplace has spurred companies to develop strategies to return disabled employees to the workplace—an effort that can help businesses reduce costs, such as disability benefit payments and disability insurance premiums. This report discusses (1) key practices used in the U.S. private sector to return disabled employees to the workplace and (2) examples of how other countries implement return-to-work strategies for disabled persons.

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## Testimony

**Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges**, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-OCG-96-7, July 25 (19 pages).

With a staff of 64,000, the Social Security Administration (SSA) runs the largest federal program—Social Security—as well as the largest cash welfare program—Supplemental Security Income. The agency's expenditures totaled \$363 billion in fiscal year 1995, almost one-fourth of the \$1.5 trillion federal budget. This testimony discusses the difficult challenges facing SSA in the coming decades: taking part in the debate over future financing of Social Security; encouraging disability recipients to return to work; reducing fraud and abuse; and managing workforce and

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technology investments so that it can meet the needs of America's retired, disabled, and poor.

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## Information Management

### **Prescription Drugs and Medicaid: Automated Review Systems Can Help Promote Safety, Save Money**

GAO/AIMD-96-72, June 11 (31 pages).

Inappropriate use of prescription drugs can lead to drug-induced illness, hospitalization, and even death. Inappropriate drug use can also prove expensive for the Medicaid program. As a result, Congress mandated that states establish utilization review programs—called prospective reviews—to review Medicaid prescriptions before drugs are dispensed. Automated prospective drug utilization review systems are proving a low-cost way for states to help both doctors and pharmacies safeguard Medicaid recipients from potentially harmful medical reactions. Although the main emphasis of these systems—appropriately—has been safety, both safety benefits and dollar savings accrue from their use. Because results vary on the basis of how such systems are administered, it is important that states share their experiences. Absent any analysis of data from the Iowa demonstration project or any concerted effort by the Health Care Financing Administration to collect and share other states' experiences, states have had only limited access to both safety and cost data—information that is critical to informed decisionmaking and to maximizing the effectiveness and efficiency of automated prospective drug utilization review systems.

### **Telecommunications: Costs Reported by Federal Organizations for Fiscal Year 1995**

GAO/AIMD-96-105, June 17 (70 pages).

In a May 1996 report (GAO/AIMD-96-95), GAO identified agencies that are using the Federal Telecommunications System (FTS) 2000 and compared telecommunications costs between agencies that used FTS 2000 and those that did not. This report provides additional information on governmentwide telecommunications costs. GAO surveyed 42 federal agencies and totaled their fiscal year 1995 telecommunications costs, broken out by the following five categories: FTS 2000 services, non-FTS 2000 long-distance services, local telecommunications services, wireless services, and telecommunications support contract services. GAO also

discusses reported local access costs generally associated with FTS 2000 telephone calls and the government's reported fiscal year 1995 costs for the Purchase of Telecommunications and Services.

**Information Management:  
Energy Lacks Data to Support Its Information System  
Streamlining Effort**

GAO/AIMD-96-70, July 23 (17 pages).

In the past, GAO reported that the Energy Department (DOE) had spent considerable sums to develop and operate duplicate information systems that supported its environmental management and other programs. This report discusses problems that could impair DOE's ability to eliminate duplicate information systems as it streamlines its information systems. DOE has developed a baseline inventory of data on specific systems used by the Department and its contractors. However, the inventory is substantially incomplete and lacks enough information describing the systems' functional capabilities. As a result, the inventory will not be adequate to help eliminate duplicate information systems as part of the streamlining effort. The data deficiencies exist largely because DOE has allowed its contractors wide latitude in developing and implementing software inventory procedures and standards and has not required them to follow its software management guidance. As a result, these contractors do not consistently develop and maintain information on their systems and use varying methods to classify systems according to their functions and capabilities.

**Consumer Health Informatics:  
Emerging Issues**

GAO/AIMD-96-86, July 26 (42 pages).

Technology has increased the amount of health information available to the public, allowing consumers to become better educated and more involved in their own health care. Government and private health care organizations rely on a variety of technologies to disseminate health information on preventive care, illness and injury management, treatment options, post-treatment care, and other topics. This report discusses consumer health informatics—the use of computers and telecommunications to help consumers obtain information, analyze their health care needs, and make decisions about their own health. GAO



provides information on (1) the demand for health information and the expanding capabilities of technology; (2) users' and developers' views on potential systems advantages and issues surrounding systems development and use; (3) government involvement—federal, state, and local—in developing these technologies; and (4) the status of related efforts by the Department of Health and Human Services. As part of this review, GAO surveyed consumer health informatics experts and presents their views on issues that need to be addressed when developing consumer health information systems. GAO summarized this report in testimony before Congress; see:

Consumer Health Informatics: Emerging Issues, by Patricia T. Taylor, Director of Information Resources Management Issues, before the Subcommittee on Human Services and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-AIMD-96-134, July 26 (13 pages).

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## Testimony

Information Management Reform: Effective Implementation Is Essential for Improving Federal Performance, by Christopher Hoenig, Director for Information Resources Management Policies and Issues, before the Subcommittee on Oversight of Government Management and the District of Columbia, Senate Committee on Governmental Affairs. GAO/T-AIMD-96-132, July 17 (12 pages).

On the whole, the federal government's track record in delivering high value information technology solutions at acceptable cost is not good. Federal agencies lack adequate processes and reliable data to manage investments in information technology. The Information Technology Management Reform Act (ITMRA) of 1996 requires significant changes in the way that government agencies manage and acquire information technology. The act emphasizes senior executive involvement in information management decisions, the establishment of Chief Information Officers as members of executive management teams, investment control and capital planning, process reengineering, and the use of performance measures to ensure accountability for spending on information technology. Once agencies begin to implement ITMRA, Congress should have a much clearer understanding of how information technology expenditures can benefit agencies' performance. Governmentwide, success rates should be higher for information technology projects completed within reasonable time frames, at acceptable costs, and with positive net rates of return on investment.

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## International Affairs

### **Haiti: U.S. Assistance for the Electoral Process**

GAO/NSIAD-96-147, July 5 (30 pages).

This report reviews U.S. efforts to foster democratic elections and greater respect for human rights in Haiti. GAO discusses (1) how the elections in Haiti were conducted, (2) the nature and the extent of U.S. support for these elections, and (3) whether election assistance funds for Haiti were properly controlled and spent. GAO also assesses Haiti's progress in investigating allegations of politically motivated killings.

### **Bosnia: Costs Are Exceeding DOD's Estimate**

GAO/NSIAD-96-204BR, July 25 (36 pages).

The costs of deploying U.S. troops in and around Bosnia as part of international peacekeeping operations spanning fiscal years 1996 and 1997 could exceed the Defense Department's (DOD) initial estimate of \$3 billion by more than \$450 million, and further increases are possible. DOD has so far deployed about 22,000 troops to Bosnia and surrounding countries in an effort to end years of hostilities in the former Yugoslavia. DOD's costs for fiscal year 1997 will likely exceed the current estimates and depend heavily on upcoming decisions on force requirements and redeployment.

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## Testimony

U.S. Export Assistance Centers: Customer Service Enhanced, but Potential to Improve Operations Exists, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the Subcommittee on Procurement, Exports and Business Opportunities, House Committee on Small Business. GAO/T-NSIAD-96-213, July 25 (21 pages).

This testimony discusses efforts by the Department of Commerce, the U.S. Export-Import Bank, and the Small Business Administration to create a nationwide network of "one-stop shops," called U.S. Export Assistance Centers. These shops are intended to provide exporters with information on all U.S. government export promotion and export finance services, help exporters identify which federal programs may be of greatest assistance, and help exporters contact those federal programs. GAO discusses the benefits realized at the first four pilot centers, located in Baltimore,

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Chicago, Los Angeles, and Miami, as well as opportunities to improve their operations.

International Trade: Challenges and Opportunities for U.S. Businesses in China, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the House Committee on Banking and Financial Services. GAO/T-NSIAD-96-214, July 29 (19 pages).

After 15 years of economic reform, the Chinese economy has become one of the fastest-growing in the world. However, although China has moved toward a quasi-market system, significant trade barriers persist. This testimony discusses (1) China as a potential market for U.S. businesses, highlighting sectors in which economic expansion will require foreign expertise and equipment; (2) challenges U.S. businesses face in gaining market access to China, as well as the concerns of some firms now operating there; and (3) World Bank efforts to help Chinese commercial standards meet international norms, with special emphasis on the importance of reforming China's banking and financial services sector.

International Relations: Food Security in Africa, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the Subcommittee on African Affairs, Senate Committee on Foreign Relations. GAO/T-NSIAD-96-217, July 31 (29 pages).

Food security exists when people have physical and economic access to enough food so that their dietary needs are met and they can lead productive and healthy lives. Food security includes several dimensions, including availability (when enough supplies of food of appropriate quality are consistently available to all persons); access (when households have adequate resources to buy foods that are part of a nutritious diet); and utilization (the proper biological uses of food through adequate diet, water, sanitation, and health care). This testimony discusses (1) the current status and future outlook for world food security in general, (2) Africa's food security dilemma in particular, (3) U.S. food aid and food aid programs, and (4) the World Food Summit scheduled for November 1996.

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## Justice and Law Enforcement

### **Preventing Child Sexual Abuse: Research Inconclusive About Effectiveness of Child Education Programs**

GAO/GGD-96-156, July 26 (21 pages).

A growing number of studies are being done on the effectiveness of child sexual abuse education programs. The most optimistic reviews have concluded that education programs showed some promise for informing children about sexual abuse, as well as teaching them personal safety skills to help them avoid being abused. However, nearly all these reviews reported that definitive conclusions could not be drawn because no study had yet developed measures of whether these programs succeeded in reducing the incidence of child sexual abuse. There was general agreement that more and better research was needed to demonstrate the effectiveness of sexual abuse education programs. GAO issued a related report in June 1996 on the effectiveness of treatment programs for sex offenders (GAO/GGD-96-137).

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## National Defense

### **Operation Desert Storm: Evaluation of the Air War**

GAO/PEMD-96-10, July 2 (26 pages).

The 43-day air campaign during Operation Desert Storm was the first large use of U.S. air power since Vietnam. The Air Campaign employed nearly every type of fixed-wing aircraft in the U.S. inventory, flying about 40,000 air-to-ground and 50,000 support sorties. About 1,600 U.S. combat aircraft were deployed by the end of the war. By historical standards, the intensity of the air campaign was substantial: The U.S. bomb tonnage dropped per day equaled 85 percent of that dropped by the United States on Germany and Japan during World War II. The air campaign incurred minimal casualties and resulted in the liberation of Kuwait and the collapse of Iraqi forces. However, GAO's analysis of the air campaign revealed several issues that should be addressed before the next military campaign. For example, pilots found that infrared, electro-optical, and laser systems were all seriously affected by clouds, rain, fog, smoke, and even high humidity. Pilots said that they were sometimes unable to tell whether a presumed target was a tank or a truck or whether it had already been destroyed. Meanwhile, the Pentagon and defense contractors have made overstated and misleading claims about the weapons used during the air campaign,

particularly the F-117 stealth fighter, the Tomahawk cruise missile, and laser-guided bombs. GAO questions the military's increased reliance on precision guided munitions given their limited effectiveness during the Persian Gulf War.

**Ballistic Missile Defense:  
Issues Concerning Acquisition of THAAD Prototype System**

GAO/NSIAD-96-136, July 9 (16 pages).

The Ballistic Missile Defense Organization and the Army plan to acquire a Theater High Altitude Area Defense (THAAD) User Operational Evaluation System—an early prototype version of the final THAAD system. The Army now plans to buy 40 interceptors well before testing ensures the User Operational Evaluation System's capabilities, even though the THAAD program has already experienced significant cost, schedule, and technical performance problems. As a result, the Defense Department risks acquiring a system that might not be worth deploying in an emergency. GAO also found that (1) the contractor's cost estimate for the interceptors has more than doubled since 1992 and is likely to increase further and (2) test schedule slippage, increase delivery lead times, and funding limitations have delayed the availability of the interceptors by about two years. Furthermore, airborne deployment of the User Operational Evaluation System may be difficult because it must compete with other military hardware for scarce airlift resources.

**Defense Budget:  
Trends in Active Military Personnel Compensation Accounts  
for 1990-97**

GAO/NSIAD-96-183, July 9 (29 pages).

The Defense Department's (DOD) budget request for fiscal year 1997 includes nearly \$70 billion for pay and allowances for military personnel. This amount represents about 30 percent of DOD's total budget request. DOD projects that during the next five years, pay and allowances will remain about 30 percent of its total budget. This report (1) identifies the various pay categories included in the accounts, (2) describes the trends of those pay categories, and (3) determines how changes in the budget compared with changes in service force levels. GAO also discusses the reasons for some of the service trends and differences among the services.

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**Defense Research and Development:  
Federal Centers' 1993 Compensation in Relation to Federal Levels**

GAO/NSIAD-96-140, July 10 (19 pages).

This report provides information on the professional staff, managers, and executives of the Defense Department's Federally Funded Research and Development Centers. GAO reviews fiscal year 1993 costs for salaries, other cash compensation, and benefits to determine total compensation for the centers and identifies the federal levels that contained the average compensation paid by the centers to their personnel.

**Physically Demanding Jobs:  
Services Have Little Data on Availability of Personnel to Perform**

GAO/NSIAD-96-169, July 9 (15 pages).

This report reviews the use and development of gender-neutral occupational performance standards in the military. GAO (1) discusses the military services' approaches to implementing gender-neutral performance standards and screening servicemembers to ensure that they can meet the physical demands of their jobs, (2) discusses how the military services identified the extent to which servicemembers had problems in accomplishing the physical demands of their jobs, and (3) evaluated the Air Force's implementation of its strength aptitude testing program.

**Inventory Management:  
Adopting Best Practices Could Enhance Navy Efforts to Achieve  
Efficiencies and Savings**

GAO/NSIAD-96-156, July 12 (32 pages).

This report is part of a series comparing the Defense Department's (DOD) logistics practices with those of the private sector. Although DOD has introduced some innovative practices, many opportunities exist for improving the logistics system. This report focuses on the Navy's logistics system for aircraft parts. GAO (1) examines the current performance of the Navy's logistics system, (2) reviews the Navy's efforts to improve its logistics system and reduce costs, and (3) examines leading best practices used by the airline industry that could potentially help the Navy bolster the efficiency and effectiveness of its logistics operations.

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**Military Bases:**  
**Potential Reductions to the Fiscal Year 1997 Base Closure Budget**

GAO/NSIAD-96-158, July 15 (15 pages).

A review of the Defense Department's (DOD) Base Realignment and Closure (BRAC) accounts indicates that Congress has little assurance that appropriated BRAC funds will be used as requested in DOD budget submissions. BRAC expenditures vary substantially from budget submissions. In past budget submissions, environmental costs have been understated while costs for other BRAC subaccounts, such as military construction and operation and maintenance, have been overstated. The DOD fiscal year 1997 budget request can be reduced by about \$148 million (about 6 percent) because funds from prior year appropriations will be available to fund future expenditures. Additional reductions are possible because mandated annual DOD Inspector General (IG) audits of BRAC construction projects identify projects that can be eliminated or reduced in scope. If the fiscal year 1997 IG audit identifies reductions in the projects proportionate to the reductions identified in 1996 and 1995, the amount would be about \$60 million.

**Defense Depot Maintenance:**  
**Commission on Roles and Mission's Privatization Assumptions Are Questionable**

GAO/NSIAD-96-161, July 15 (23 pages).

GAO questions the assumption made by the Commission on Roles and Missions that privatizing all Defense Department (DOD) depot maintenance activities would save 20 percent and not harm readiness or sustainability. The Commission's assumptions are based on conditions that do not now exist for many depot workloads. The extent to which DOD's long-term privatization plans and market forces will effectively create more favorable conditions for outsourcing is uncertain. The Commission assumed that a highly competitive and capable market exists or would develop for most depot workloads. However, most of the depot workloads contracted to the private sector are awarded noncompetitively—mostly to the original equipment manufacturer. Moreover, several factors would likely limit private sector competition for many workloads now in the public depots. Without highly competitive and capable private sector markets, the cost and readiness risks of privatizing depot maintenance workloads may prove unacceptable. Furthermore, the Commission's

privatization savings do not reflect the cost impact of excess capacity in the public depots. The Commission also assumed that public-private competitions would be used in the absence of private sector competition and would be limited to only a few cases. GAO found that public-private depot maintenance competitions have resulted in savings and benefits and can provide a cost-effective way to make depot workload allocation decisions for some workloads. The beneficial use of such competitions could have significantly more applicability than the Commission assumed.

**Chemical Weapons Stockpile:  
Emergency Preparedness in Alabama Is Hampered by  
Management Weaknesses**

GAO/NSIAD-96-150, July 23 (81 pages).

Eight years after the inception of the Army's Chemical Stockpile Emergency Preparedness Program, communities near the Anniston Army Depot in Alabama are not prepared to respond to a chemical stockpile emergency because they lack critical items, including communication warning systems and protective equipment for emergency workers. Alabama and six counties have yet to spend \$30.5 million—about two-thirds of the \$46 million earmarked for improvements in emergency preparedness. This lack of progress is the result of management weaknesses at the federal level and inadequate action by state and local agencies. The situation in Alabama may not be unique, however. GAO has found that local communities near the eight chemical weapons storage sites in the United States are not fully prepared to respond to a chemical emergency, financial management is weak, and costs are mounting.

**C-17 Aircraft:  
RM&A Evaluation Less Demanding Than Initially Planned**

GAO/NSIAD-96-126, July 26 (22 pages).

The Air Force reported that the C-17 transport aircraft met or exceeded 10 of the 11 contract specification requirements during its reliability, maintainability, and availability (RM&A) evaluation. However, the evaluation was less demanding than the one called for in a draft 1992 plan. The reduced rigor stemmed primarily from changes in the number of aircraft sorties, average sortie length, and total flying hours. The evaluation was also less demanding because it had fewer airdrops and landings at small, austere airfields than originally planned and flew cargo



loads that were significantly lighter than projected in the contract specifications. The RM&A evaluation was not a statistically valid test for determining C-17 wartime utilization rates and did not prove what a mature C-17 fleet would do during 45 days of wartime surge operations. It simply demonstrated that a high utilization rate could be achieved during a 48-hour period. Finally, in awarding the incentive fee, the Air Force credited the C-17 aircraft with meeting the full mission capable rate goal. During the RM&A evaluation, however, the aircraft was restricted from performing formation personnel airdrop under realistic conditions and was rated not functionally effective for aeromedical evacuation. As a result, the \$5.91 million incentive fee was \$750,000 higher than justified.

**Defense Management:**  
**Information on Selected Aspects of DOD's Jet Fuel Programs**

GAO/NSIAD-96-188, July 31 (20 pages).

Under its bulk fuel program, the Defense Logistics Agency buys jet fuel from commercial suppliers and transports it via trucks, pipelines, barges, and railroads to military installations for use by military aircraft. The into-plane program involves individual contracts between the Defense Fuel Supply Center and fixed-base operators who provide jet fuel at contractually set prices. These prices are generally less than commercial prices charged at civilian airports. This report discusses (1) the pricing policies, rules, and regulations used for both fuel programs and whether the cost factors used for each are consistent with applicable policies; (2) whether bulk fuel usage and into-plane sales have changed in recent years and GAO's assessment of the reasons for any changes; and (3) the significance and validity of questions and complaints raised by into-plane contractors and the National Air Transportation Association about the effect on their businesses of Defense Department changes in the pricing of into-plane jet fuel.

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**Testimony**

**DOD Bulk Fuel: Budgeting for Bulk Fuel and Other Operation and Maintenance Activities**, by Sharon A. Cekala, Associate Director for Military Operations and Capabilities Issues, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-96-208, July 30 (13 pages).

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The bulk fuel issues discussed in this testimony may be symptomatic of a larger issue involving how the military services estimate requirements for operation and maintenance activities. Past GAO work has shown that the Defense Department repeatedly estimates that it needs more money than it obligates for some operation and maintenance activities. This testimony, which draws on the findings of a March 1996 report (GAO/NSIAD-96-96), addresses (1) the military services' use of operation and maintenance funds and their latitude in obligating the money, (2) specific overestimating of funds needed for bulk fuel, and (3) bulk fuel as one example of the services' overestimating their needs for some activities within the operation and maintenance account.

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## Natural Resources

### **Forest Service's Reforestation Funding: Financial Sources, Uses, and Condition of the Knutson-Vandenberg Fund**

GAO/RCED-96-15, June 21 (60 pages).

The Forest Service is responsible for reforesting areas harvested for timber or destroyed by natural causes in national forests. The Forest Service, which manages 191 million acres of forests, rangelands, and grasslands, obligated about \$163 million for reforestation during fiscal year 1994. More than 70 percent of the money for reforestation comes from the Knutson-Vandenberg Trust Fund. Although the Fund had a reported balance of about \$338 million as of September 1995, not enough money will be available to pay for all the planned projects, whose cost is now estimated at \$942 million. The shortfall has occurred because during the 1990s the Forest Service transferred \$420 million from the Fund to pay for emergency firefighting. However, the Agriculture Department has yet to restore these funds, and the Forest Service continues to run the program as if the transfers had never occurred. In addition, the Forest Service lacks reliable financial management information and effective controls to ensure compliance with the Knutson-Vandenberg Act's prohibition against spending more trust funds on an individual sale area than had been collected from that area.

### **Bureau of Reclamation: Information on Allocation and Repayment of Costs of Constructing Water Projects**

GAO/RCED-96-109, July 3 (80 pages).

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The federal government has spent nearly \$22 billion to build 133 water projects in the west that provide water for various purposes, including irrigation. The beneficiaries of these projects are generally required to repay the federal government their allocated share of the construction costs. However, as a result of various forms of financial assistance provided by the federal government, some beneficiaries repay considerably less than their full share of these costs. Among the beneficiaries, irrigators generally receive the largest amount of such financial assistance. This report describes (1) the types of financial assistance received by irrigators participating in the federal water projects built by the Bureau of Reclamation or for which the Bureau has water marketing responsibilities and (2) the amount of these water projects' construction costs allocated to irrigators and their repayment of these costs.

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## Testimony

Federal Lands: Concession Reform is Needed, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on National Parks, Forests, and Lands, House Committee on Resources. GAO/T-RCED/GGD-96-223, July 18 (11 pages).

Concession activity on federal lands is a large industry, with civilian agencies managing more than 11,000 concession agreements throughout the federal government during 1994. Concessioners operating under these agreements generated about \$2.2 billion in gross revenue. More than 90 percent of concession agreements and the concession gross revenues were from concessioners in the six land management agencies. For agreements that were either initiated or extended during fiscal year 1994, concessioners in the land management agencies paid the government an average of about three percent of their gross revenue. In contrast, concessioners in other agencies paid fees of about nine percent of their gross revenues. The key factors affecting the rate of return to the government were whether the fees were established through competition, whether the agency was allowed to keep most of the concession fees it generated, and whether an incumbent concessioner had a preferential right in renewing its agreement with the government. Throughout the government, rates of return from concessioners were higher when established through competition. Agencies which had authority to retain fees and which did not grant preferential rights of renewal generally obtained higher rates of return from concessioners.

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## Science, Space, and Technology

### **Intellectual Property: Enhancements Needed in Computing and Reporting Patent Examination Statistics**

GAO/RCED-96-190, July 15 (42 pages).

This report provides information on the operations of the Commerce Department's Patent and Trademark Office. GAO (1) analyzes patent dependency—the amount of time that the Patent and Trademark Office spends in examining an application to determine whether an invention should receive a patent; (2) compares the Patent and Trademark Office's resources committed to the patent process, the trademark process, the dissemination of information, and executive direction and administration; and (3) compares the Patent and Trademark Office's examination processes with those of other industrialized countries.

### **NASA Budget: Carryover Balances in Selected Programs**

GAO/NSIAD-96-206, July 16 (14 pages).

In response to concerns raised in an oversight hearing, GAO reviewed the extent of carryover balances for the Mission to Planet Earth and other NASA programs. Carryover balances consist of unobligated funds and uncosted obligations. Unobligated balances represent the portion of its budget authority that NASA has not obligated. Uncosted obligations represent the portion of its authority that NASA has obligated for goods and services but for which it has not yet incurred costs. Carryover balances in NASA's Human Space Flight and Science, Aeronautics, and Technology programs totaled \$3.6 billion by the end of fiscal year 1995—an amount equal to almost one-third of the budget authority provided for these programs in fiscal year 1995 that will be used to cover costs that will accrue in fiscal year 1996 or beyond. Individual programs carried over varying amounts, ranging from the equivalent of one month to 16 months of fiscal year 1995's new budget authority. The Mission to Planet Earth carried \$695 million, or more than six months, of budget authority into fiscal year 1996. GAO summarized this report in testimony before Congress; see:

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**NASA Budget: Carryover Balances in Selected Programs**, by Thomas J. Schulz, Associate Director for Defense Acquisitions Issues, before the Subcommittee on Space and Aeronautics, House Committee on Science. GAO/T-NSIAD-96-207, July 18 (four pages).

**Space Station:  
Cost Control Difficulties Continue**

GAO/NSIAD-96-135, July 17 (38 pages).

The international space station, a joint venture involving NASA, Japan, Canada, the European Space Agency, and Russia, will be a permanently orbiting laboratory used to conduct scientific research under weightless conditions. NASA estimates its share of the costs to build the space station at \$17.4 billion. The space station is now scheduled to be completed by 2002. As of April 1996, the prime contract for the space station was nearly \$90 million over cost and about \$88 million behind schedule. Overall, the prime contract is 45-percent complete and these variances are within planned funding levels. However, many cost threats remain, and financial reserves needed for unexpected contingencies remain limited during the next several years. If available resources prove inadequate, program managers either will be forced to exceed the annual funding limitation or will have to defer or rephase other activities, potentially delaying the space station's schedule and increasing its overall cost. NASA has tried to ensure that the prime development contractors and its major subcontractors implement effective performance measurement systems for managing their contractors, but a complete performance measurement system is still not in place. Also, NASA has made slower progress implementing effective performance measurement systems on its contractors for developing ground-based and on-orbit capabilities for using and operating the space station. GAO summarized this report in testimony before Congress; see:

**Space Station: Cost Control Difficulties Continue**, by Thomas J. Schulz, Associate Director for Defense Acquisitions Issues, before the Subcommittee on Science, Technology, and Space, Senate Committee on Commerce, Science, and Transportation. GAO/T-NSIAD-96-210, July 24 (six pages).

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## Social Services

### **Welfare Waivers Implementation: States Work to Change Welfare Culture, Community Involvement, and Service Delivery**

GAO/HEHS-96-105, July 2 (56 pages).

In the wake of growing dissatisfaction with the welfare system, Congress and the President have been considering welfare reform on a national level. Meanwhile, many states have undertaken far-reaching reforms through waivers of federal provisions governing the program most Americans think of as welfare—Aid to Families With Dependent Children. For example, states have required welfare recipients to work; set limits on lifetime benefits; and denied cash benefits for additional children born to families already receiving welfare. Believing that the findings would be useful to states dealing with the challenge of welfare reform, Congress asked GAO to review some states' early experiences with implementing reforms. This report examines efforts by Florida, Indiana, New Jersey, Virginia, and Wisconsin to implement three key reforms: time-limited benefits, work requirements, and family caps.

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## Tax Policy and Administration

### **Earned Income Credit: Profile of Tax Year 1994 Credit Recipients**

GAO/GGD-96-122BR, June 13 (44 pages).

Total Earned Income Credit (EIC) program costs have risen dramatically in recent years as Congress has extended EIC coverage and increased credit rates. From tax year 1990 to tax year 1994, EIC program costs (in 1994 dollars) increased by about 150 percent. During that same period, the number of EIC recipients increased by about 50 percent. Much of the recent growth in the number of taxpayers claiming the EIC can be attributed to the extension of the credit to childless adults beginning in tax year 1994. About 15 million families with children received \$20.5 billion of EIC in tax year 1994; another four million childless adults received an additional \$0.7 billion. The refundable portion of the EIC for tax year 1994 was \$16.7 billion, or 79 percent of the total EIC.

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## Testimony

**Managing IRS: IRS Needs to Continue Improving Operations and Service**, by Lynda D. Willis, Director of Tax Policy and Administration Issues, before

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the National Commission on Restructuring the Internal Revenue Service. GAO/T-GGD/AIMD-96-170, July 29 (31 pages).

This testimony was intended to assist the National Commission restructure the Internal Revenue Service (IRS). GAO makes the following points: (1) One of IRS' biggest problems has been the inefficient way in which its processes most tax returns. IRS needs to reduce the volume of paper returns. (2) IRS' strategy for improving customer service appears promising. However, the agency needs to develop a plan to overcome significant technical, managerial, and other obstacles to achieving its customer service vision. (3) Longstanding problems continue to undermine the effectiveness of IRS' collection problems. Significant changes are needed in the way IRS does business. (4) Although IRS has made some progress in resolving issues that have prevented GAO from expressing an opinion on the reliability of IRS' financial statements, serious management problems remain uncorrected. (5) IRS needs to improve its ability to make sound investment decisions in information technology. IRS' reengineering efforts could generate new business requirements that are not addressed by tax systems modernization or that make some of those projects obsolete.

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## Transportation

### **Intermodal Freight Transportation: Projects and Planning Issues**

GAO/NSIAD-96-159, July 9 (22 pages).

The Intermodal Surface Transportation Efficiency Act set aside \$155 billion to improve the nation's surface transportation system during a six-year period ending in fiscal year 1997. Although the act mainly authorized highway construction and improvements, it also encouraged intermodal connections as a way to enhance the transportation infrastructure. Intermodal connections link the various transportation modes—highways, rail, air, and maritime facilities. Economists and transportation planners believe that productivity and efficiency gains can be achieved by improving intermodal connections. This report reviews (1) the Transportation Department's efforts to track how states used funds made available by the act to facilitate intermodal transportation and the nature and extent of funds used by states for intermodal freight projects, (2) how some local and regional areas that handle a large volume of freight have considered intermodal freight transportation issues as part of their planning process, and (3) the impediments some areas face in improving

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freight transportation. GAO also provides information on intermodal freight transportation trends.

**Amtrak's Strategic Business Plan:  
Progress to Date**

GAO/RCED-96-187, July 24 (16 pages).

Since 1971, when Amtrak assumed responsibility for operating the nation's intercity passenger trains, the federal government has provided the corporation with more than \$18 billion to cover annual operating losses and to make capital investments. Despite this support, by 1994 Amtrak's financial and operating condition had declined to the point at which its long-term survivability was seriously threatened. At the same time, federal budget constraints have made it more difficult for Congress to provide its historic level of support. In response, Amtrak developed a Strategic Business Plan to boost revenues and cut expenses. Its goal is to eliminate the need for a federal operating subsidy by fiscal year 2002. Amtrak's success in implementing the plan will go a long way toward deciding the future of intercity passenger rail service in the United States. This report (1) describes the actions that Amtrak plans to take and the expected results; (2) reviews Amtrak's progress so far in achieving financial improvements and its progress toward realizing the longer-term goal of operating self-sufficiency; and (3) describes Amtrak's efforts to monitor the plan's implementation.

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**Testimony**

Central Artery/Tunnel Project: Cost and Financing, by John H. Anderson, Jr., Director of Transportation and Telecommunications Issues, before the Massachusetts Joint Committee on Transportation. GAO/T-RCED-96-218, July 11 (five pages).

The total cost of the Central Artery/Tunnel Project is estimated at \$10.4 billion, and this amount could increase if containment goals are not met. Furthermore, state and federal funding available to Massachusetts might not be enough to complete the project as scheduled by 2004. Although the amount of funding available to Massachusetts after fiscal year 1997 is unknown, shortfalls exist under all scenarios modeled in the Massachusetts Highway Department's 1996 project finance plan. The finance plan discusses options for addressing the shortfall, but state officials said that a plan has not been selected so far, pending completion of the feasibility study. In selecting a plan, the state faces challenges to



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both maintain its commitment to its statewide road and bridge improvement program and build the Central Artery/Tunnel project.

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## Veterans Affairs

### **Readjustment Counseling Service: Vet Centers Address Multiple Client Problems, but Improvement Is Needed**

GAO/HEHS-96-113, July 17 (42 pages).

The Department of Veterans Affairs (VA) operates 205 community-based facilities known as Vet Centers to help veterans make a successful transition from military to civilian life. Vet Center counselors reported visiting with about 138,000 veterans during fiscal year 1995, 84,000 of whom were new to Vet Centers. Most veterans do not establish long-term relationships with Vet Center counselors; however, those who do represent a core group who use services over extended periods for serious psychological problems, such as post-traumatic stress disorder. Other veterans usually visit Vet Center counselors only once or twice for social concerns, such as employment or benefit needs.

### **VA Health Care: Opportunities for Service Delivery Efficiencies Within Existing Resources**

GAO/HEHS-96-121, July 25 (64 pages).

The Department of Veterans Affairs (VA), which operates one of the nation's largest health care systems, faces increasing pressure to contain or reduce spending as part of governmentwide efforts to balance the budget. This report discusses ways VA could operate more efficiently and reduce the resources needed to meet the needs of veterans in what is commonly referred to as the mandatory care category. GAO addresses (1) VA's forecasts of future resource needs, (2) opportunities to run VA's system more efficiently, (3) differences between VA and the private sector in efficiency incentives, and (4) recent VA efforts to reorganize its health care system and create efficiency incentives. GAO concludes that successful implementation of a range of reforms, coupled with reduced demand for services, could save the VA health care system billions of dollars during the next seven years. The success of these efforts, however, depends on introducing efficiency incentives at VA that have long existed in the private sector.

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## **Special Publications**

### **GAO Reports: Health, Education, Employment, Social Security, Welfare, and Veterans Issues**

GAO/HEHS-96-183W, July 1996 (19 pages).

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents issued during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.

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